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**BEFORE THE  
UNITED STATES HOUSE  
COMMITTEE ON FINANCIAL SERVICES,  
SUBCOMMITTEE ON HOUSING  
AND COMMUNITY OPPORTUNITY**

**APRIL 8, 2003**

Chairman Ney, Ranking Member Waters, Distinguished Members of the Committee:

Thank you for the invitation to join you this afternoon. I appreciate this opportunity to outline the American Dream Downpayment Initiative. The Initiative is a powerful tool for increasing homeownership, and President Bush has proposed expanding its reach in Fiscal Year 2004 by increasing funding to \$200 million.

Mr. Chairman, I applaud your leadership in calling this hearing.

I want to commend my fellow Floridian – Congresswoman Harris – for introducing H.R. 1276. Her bill has earned the support of 35 cosponsors from both sides of the political aisle, reflecting the point I often make that housing is a non-partisan issue – one that crosses the lines of politics and party.

Homeownership is a cornerstone of America, and the President and I are committed to helping more families know its many – and profound – benefits.

For families, homeownership represents the path to prosperity. Americans see a home not only as shelter, but also as a safe investment, and one that can be leveraged to finance other priorities, such as starting a business or sending a child to college. Homeownership creates stakeholders who make their communities stronger by involving themselves in local activities.

The implications of large-scale homeownership reach well beyond the benefits to individual families and communities, of course: homeownership is a powerful economic force for the entire nation.

Where many sectors of the economy have performed below expectations over the past two years, the housing market has remained extremely strong. Housing was key to bolstering our economy in the months following the terrorist attacks of September 11, 2001. Housing helped to cushion many areas of the country from recession, as home sales and refinancings pumped hundreds of billions of dollars into the economy.

As a result of the exceptionally strong housing market and the best financing conditions available in decades, more Americans own homes today than at any time in our history: 68.3 percent of all Americans are homeowners. Yet, we see a persistent and troubling gap between the homeownership rates of minorities and non-minorities. By a significant margin, minority families are less likely to own their own homes – less than 50 percent for African-Americans and Hispanics.

Eliminating the minority homeownership gap is one of this Administration's top priorities... and a responsibility fundamental to HUD's mission as the nation's housing agency.

Last year, the President announced an initiative to remove the barriers that block American families from achieving the American Dream of homeownership. By making homeownership easier for all Americans, we hope to create 5.5 million new minority homeowners by the end of this decade. HUD responded by launching our Blueprint for the American Dream Partnership, and every segment of the housing industry has joined with us to help meet the President's challenge.

The Administration and its partners are focused on removing the barriers that block too many families from achieving the American Dream of homeownership. These barriers include a lack of financing options for low-income families, a lack of information about the homebuying process, a lack of affordable housing in some communities. The Administration's homeownership agenda is dismantling these barriers to homeownership by proposing a new FHA mortgage product, increasing support for homeownership education programs, simplifying the homebuying process, and increasing the supply of affordable homes.

The barrier we are specifically addressing through the American Dream Downpayment Initiative is high down payments and closing costs. Coming up with enough cash to pay the upfront costs of homeownership is often the single greatest barrier to buying a home. In Fannie Mae's 2002 National Housing Survey, a high down payment was the barrier most frequently cited by those polled; 32 percent of Americans said they would have major difficulties making a down payment.

The lack of savings is a problem for many lower-income and minority families. Oftentimes, the transfer of family assets from parents to their children can mean the difference in whether a family can buy a home. These intergenerational wealth transfers serve to boost homeownership by helping many younger families afford their first home.

In many cases, however, lower-income and minority families simply lack the accumulated wealth that can provide for down payment and closing costs. To help families overcome this barrier to homeownership, the Administration proposed the American Dream Downpayment Initiative for FY 2002, and is asking the Congress to boost its funding level to \$200 million for FY 2004.

The President's commitment to lifting families into homeownership through down payment assistance dates back to his 2000 campaign. The American Dream Downpayment Initiative fulfills one of his long-standing housing goals.

The Initiative is housed within the HOME Investment Partnerships program, which helps communities across the country expand the supply of decent, affordable housing. American Dream Downpayment Initiative grants will be awarded to state and local governments to assist low-income, first-time homebuyers with closing costs and down payments. To receive assistance, families must have annual incomes that do not exceed 80 percent of the area median income.

We anticipate that the Initiative will help make homeownership a reality for 40,000 families annually, providing an average subsidy of \$5,000. Although the American Dream Downpayment Initiative is not targeted specifically at minorities, we believe it will be particularly effective at reaching minority populations, based upon the history of the HOME program. Today, fully 55 percent of the families helped by HOME are minorities.

Congress appropriated \$75 million for the American Dream Downpayment Initiative for the current fiscal year. I thank the Members for doing so. As a result of your support, 15,000 families who have perhaps only dreamed of homeownership will soon have homes of their own. We expect to complete the rulemaking process within the next few months and have the entire \$75 million appropriation delivered by the end of Fiscal Year 2003.

The Congress now has an opportunity to build on its commitment and guide even more families toward the American Dream of homeownership. I urge the Committee to fund the American Dream Downpayment Initiative at \$200 million as requested by President Bush.

As always, I welcome your guidance as we continue our work together.

Thank you.